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15 April 1974

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MEMORANDUM FOR: Mr. Thomas Willett
Deputy Assistant Secretary
for Research and Balance-of-
Payments Analysis
Department of the Treasury

SUBJECT : Future Oil Investment Requirements

In response to the task assigned at the 30 March
IERG Working Group meeting, we are submitting the attached
memorandum.

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Attachment:
as stated.

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Distribution: (S-6092)

- 1 - Addressee
- 2 - D/OER

(15 Apr 74)

Future Petroleum Industry Investment Requirements

1974-1980

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K1 [redacted]
[redacted] estimated that the petroleum industry would have to invest \$450 billion dollars in the 1970-1985 period in order to meet the anticipated world oil demand. The same study revealed that total oil industry investment in 1972 was \$26.5 billion, of which almost \$10 billion was made in the US, \$7.7 billion in the Western Hemisphere and in Western Europe, \$3.7 billion in tanker fleets and the remaining \$5.1 billion in Africa, the Middle East and in the Far East for largely production and refining facilities.

Attempts to develop alternative sources of crude oil supply are causing oil firms to shift investment towards new politically safe areas such as the North Sea, the Canadian Arctic region, the Alaskan North Slope and the US offshore continental shelf. These areas are virtually the only prospects for immediate commercial exploitation.

Spending on subsea production systems for presently defined fields in the North Sea could reach \$10 - \$12 billion dollars by 1980, according to the Petroleum Economist. Assuming 7% annual inflation, total investment could reach \$16 billion by the end of this decade.

Similar investment requirements of up to \$16 billion are foreseen for developing the Alaskan North Slope, Canadian Arctic Islands and Mackenzie River Delta region by 1980.

STAT Even greater sums will probably be invested in expanding US crude oil production facilities during 1974 - 1980. [REDACTED]

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[REDACTED] new emphasis on Western Hemisphere and North American investment opportunities for short term relief in oil supply, because of soaring US wellhead prices and the proximity of vast untapped reserves to the huge US market. Current investment plans announced by Exxon, Gulf and several other major oil companies bear out the new emphasis on US investment.